

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 02-0656

DIRECT TESTIMONY

OF

ROBERT J. MILL

Submitted On Behalf

Of

CENTRAL ILLINOIS PUBLIC SERVICE COMPANY

d/b/a AmerenCIPS

and

UNION ELECTRIC COMPANY

d/b/a AmerenUE

November 18, 2002

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**Direct Testimony of Robert J. Mill
Ameren Services Company**

Docket No. 02-0656

Q. Please state your name and business address.

A. My name is Robert J. Mill. My business address is 607 East Adams Street, Springfield, Illinois 62739.

Q. By whom are you employed and in what capacity?

A. I am the manager of the State Regulatory Policy Department of Ameren Services, a subsidiary of Ameren Corporation. I have responsibility for monitoring regulatory commission actions, following emerging regulatory issues, communicating with regulatory commissioners and staff, and facilitating corporate responses to regulatory and legislative initiatives.

Q. Please summarize your education and business experience.

A. I began my career at CIPS in 1976, in the Accounting Department. In 1979, I was promoted to the Rates and Research Department and held several analytical and supervisory positions within that department until 1989, when I was named manager. In 1993, I was named manager of the Corporate Planning Department, responsible for overseeing economic and financial forecasting activities and CIPS' strategic planning and resource planning functions. Early in 1995, as the result of restructuring, the Corporate Planning Department was eliminated, and I became manager of the Regulatory Services Department. I became an

employee of Ameren Services in August 2001. In September 2002, I became manager of the State Regulatory Policy Department.

I received a Bachelor of Science degree in 1975 from Western Illinois University and a Master of Arts degree in business administration in 1981 from Sangamon State University, now known as the University of Illinois at Springfield. I have also completed courses offered by the Edison Electric Institute and the National Economic Research Associates relating to rate fundamentals and cost of service. I have previously testified on behalf of the Company in various proceedings before the Illinois Commerce Commission and the Federal Energy Regulatory Commission.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide some background information and support for Ameren's proposal to modify the market value formula contained in the Market Value Index ("MVI") for AmerenCIPS and AmerenUE ("Ameren Companies").

Q. Please explain what Ameren is proposing in this filing.

A. The Ameren Companies are proposing to modify the formula for computing the market value in their respective MVI tariffs in the manner described fully by Ameren witness Mr. Keith Hock in his direct testimony.

Q. What prompted Ameren to file for the changes to MVI at this time?

A. There are actually two reasons why the Ameren Companies are proposing to modify the formula in the MVI tariff. First, in Docket No. 00-0394, the ICC approved the currently effective MVI formula. The ICC recognized that there was some uncertainty as to how effectively MVI approaches would capture market value, particularly relative to the

Neutral Fact Finder. The ICC allowed Illinois electric utilities implementing MVI approaches (Ameren, ComEd and IP) to maintain certain differences among their individual approaches. The ICC, however, mandated that the MVI approaches would expire in June, 2004, and that the utilities would have to refile their MVIs on October 1, 2002.

Secondly, Ameren has actively participated in both the MVI workshops hosted by the Commission's Staff as well as the legislative workshops hosted by State Representative Phil Novak. Both forums provided various stakeholders with the opportunity to express their views on the MVI, the transition charge ("TC"), the power purchase option ("PPOS") and other issues relating to retail competitive services. During those meetings, Ameren became aware that retail electric suppliers, customers and other parties view the MVI as being undervalued. An undervalued MVI impacts the level of the TC applicable to delivery service customers. The TC level moves inversely to the level of MVI, meaning that a lower MVI results in a higher TC level, all else being equal. Certain stakeholders believe that the current MVI formula has undervalued the market value determination, which results in a TC that is higher than what it should otherwise be. These same stakeholders view the TC level as a significant barrier to the success of retail customer choice in Illinois. Closely related to the MVI and TC components is the PPOS, which is set equal to the MVI cost for those customers paying a TC that elect to take delivery services along with power and energy from the incumbent utility priced at the MVI level. Some stakeholders also expressed the concern that an understated MVI value results in a PPOS option that discounts the actual market price to which alternative providers are subject, thereby favoring the incumbent (which itself may not

67 seek such an advantage). All of these factors can impede the development of a robustly
68 competitive market.

69 In a separate docket with the ICC, the Ameren Companies are filing to suspend
70 operation of the TC and, consequently, the PPOS pursuant to the terms contained in that filing.
71 However, the Ameren Companies believe that the MVI must be reviewed and modified as
72 being proposed by its witnesses.

73 **Q. Do the Ameren Companies believe that the MVI formula understates**
74 **the market value of the power and energy that is freed-up due to retail switching?**

75 A. Yes. Mr. Hock discusses in his testimony adjustments to the existing MVI
76 formula to more accurately capture market value.

77 **Q. Does this conclude your direct testimony?**

78 A. Yes, it does.